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SUBJECT: GOAM WON'T COMMIT TO SHUTDOWN DATE FOR NUCLEAR
PLANT, SPURNS EU OFFER

REF: A. 04 YEREVAN 382 B. YEREVAN 1039

Classified By: A.F. Godfrey for reasons 1.4 (b,d)

SUMMARY

1. (C) During a June 22 conference on Armenia Nuclear Power Plant (ANPP) Decommissioning, delegates from the European Commission reiterated their call for Armenia to close its nuclear power plant "reasonably early" due to safety concerns, and renewed an offer of 100 million euro in assistance to build new electricity generation capacity in exchange for setting a "relatively early date certain" for decommissioning. The Minister of Energy said that the GOAM's position had not changed: it will close the plant prematurely only if foreign donors provide adequate replacement that does not reduce Armenia's energy security or dramatically increase tariffs. End Summary.

EUROPEAN COMMISSION TO RESTART DIALOGUE ON ANPP CLOSURE

2. (C) European Commission delegate Silvia Zehe used the conference to announce that the commission wants to "restart (their) dialogue on decommissioning and finding alternatives to the Armenia Nuclear Power Plant." Adding that the EU, through TACIS, would continue its assistance to upgrade safety and security at the current plant, the European commission was "prepared to give 100 million euros towards building replacement capacity in exchange for Armenia setting a relatively early date certain for decommissioning ANPP." The EU offered the same deal that Armenia rejected in early 2004 (ref A). Zehe added that she was "sorry" that it appeared that 100 million euros wouldn't be enough, and the Commission will look to other donors to help. She suggested that the European Commission could work with the government of Armenia to assembly a "true donor conference."

TO CLOSE ANPP "PREMATURELY," GOAM NEEDS DIVERSITY

3. (C) The Minister of Energy said that the GOAM's position had not changed: The GOAM is "ready to decommission prematurely if adequate replacement is put in place." The Minister stressed that adequate replacement means more than just 400 MW of generation capacity to replace that of ANPP. Replacement options should not dramatically increase electricity tariffs and must preserve Armenia's energy security with diversified sources. (Were ANPP to close today, Armenia would depend on the single, poorly maintained gas pipeline through Georgia for 85 percent of its electricity.) The Minister said that the minimum assistance necessary for Armenia to plan premature decommissioning would be soft financing for the remainder of the Iran-Armenia gas pipeline (septel) and new thermal generation capacity. He estimated that such assistance would amount to USD 540 million, not including any actual decommissioning costs of the ANPP itself.

COSTS OF CLOSING ANPP EARLY ARE PROHIBITIVE

4. (C) Even if the GOAM is able to guarantee diverse sources of fuel and energy, both Ministry of Energy officials and visiting US-funded experts have pointed out that the costs of closing ANPP early are nonetheless prohibitive. The GOAM has set no money aside for actual decommissioning and spent fuel disposal costs, which could amount to more than USD 850 million. Aside from decommissioning, the cost of moving from cheap nuclear production, where Armenia bears neither the original construction costs nor the costs for decommissioning, to gas-fired generation or new nuclear generation that includes the life-cycle costs could reach USD 100 million per year. This alone would be more than double

Armenia's total electricity generation costs.

GOAM PLANS TO OPERATE PLANT UNTIL 2016, MAYBE LONGER

15. (C) In the absence of donor assistance to establish Armenia's energy security and generation needs, the Ministry intends to run the plant at least until it has been used for its thirty-year design life (until 2016). Nuclear experts from the U.S. Department of Energy who work with the plant have told us that there is no physical reason that the GOAM could not operate the plant until 2025, assuming the Ministry could pressure their friends at the Armenia Nuclear Regulatory Agency into granting an extended license. Western energy experts tell us that the plant is much safer now than it was ten years ago (thanks to nearly USD 80 million in foreign assistance, including USD 43 million from the USG), but that continued operation will require more investment in safety, especially training for a new, second generation of personnel.

COMMENT: ANPP WILL REMAIN OPEN, NOW WHAT?

16. (C) Since missing the first decommissioning deadline in 2004, Armenia has been consistent in its position that it will not set a decommissioning date until it has guaranteed diversity in its electricity supply and reasonable end-user electricity tariffs. The European Commission has floated the same offer that Armenia rejected last year. The amounts that Armenia needs to establish diverse supply, to cover the higher of costs of non-nuclear generation, to replace its aging thermal power plants, and to pay for the decommissioning of the ANPP are daunting even if Armenia puts off decommissioning another 15 years. American energy experts say, and we agree, that there is no viable alternative to operating ANPP at least until its planned life expires in 2016. Accepting a deferred decommissioning, we are encouraging Armenia to start now to assess decommissioning costs and plan for its energy future. ANPP will close someday, and Armenia will do well to tackle these challenges early, in a transparent fashion, that responsibly accounts for costs that are coming, inevitably, in the future.
EVANS